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Via Email To: DOER.SREC@massmail.state.ma.us

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Re: Constellation Energy Comments Regarding MA RPS Solar Carve-Out Proposed Rate Schedule

I. Background

Thank you for the opportunity to provide these comments regarding DOER's August 2, 2011 Announcement on ACP Rate Schedule. Constellation Energy supports the proposal as drafted.

By way of background, Constellation Energy is a diversified Fortune 500 energy company, serving retail and wholesale customers throughout the U.S. including two-thirds of the Fortune 100. In Massachusetts, Constellation operates from over fourteen locations, and serves customers state-wide. Constellation is also one of the nation's leading solar developers, designing, financing, and constructing solar projects that will help Massachusetts meet its renewable portfolio standard and solar carve-out.

II. DOER Has Correctly Proposed a Ten Year Schedule.

As DOER notes its proposal, the discretion provided under the current regulations to annually adjust SACP levels has created significant market uncertainty, both for retail electric suppliers and solar developers. This uncertainty has inhibited solar development by compounding SREC price uncertainty, and made it more difficult for Massachusetts to meet its solar goals. DOER has appropriately moved to reduce this uncertainty by proposing a ten-year forward SACP schedule.

A ten year schedule will meaningfully promote market stability for several reasons. First, a solar system typically has a useful life of approximately thirty years. The proposal will provide solar consumers with an increased level of visibility into the prices that they may receive for SRECs for a significant part of this time. Currently, the market places very little value on

SREC prices in the out-years of contracts. The proposal will provide some price support in the later years, thereby making financing and contracting easier.

Further, by proposing a ten year schedule, DOER is indicating its long-term commitment to the solar program. This commitment will reinforce to developers that Massachusetts is a place where they can establish solar businesses for the long-term, thereby bringing more supply to the market and helping the Commonwealth meet its solar goals.

DOER has also smartly proposed to announce by January 31 of each year the SACP rate for the Compliance Year ten years later. This will help maintain the stability that the proposal is aimed at.

III. DOER's Proposed SACP Values Are Modest.

In its proposal, DOER references installed costs data published in Lawrence Berkley National Lab's report "Tracking the Sun III." Using this data, and pairing it with DOER's proposed SACP schedule, project returns would be seen in the 8.7% to 5.91% range in years 2012-2016. Due to expiring federal tax incentives, returns would decrease to 1.09% to -0.66% in years 2017-2020.¹ This demonstrates that the proposed SACP schedule represents a modest level of support for Massachusetts's solar development goals.

IV. DOER Has Proposed The Best Available Process For Implementing The Forward Schedule.

DOER has also suggested the best available process for implementing the proposal. By issuing an RPS Guideline to immediately establish the rate schedule, and then proceeding with a formal rulemaking to amend the current regulations, DOER will be moving quickly to reduce uncertainty in the market. Avoiding the delays of a formal rulemaking is critical to stimulating development as soon as possible. The dual approach of a guideline and regulation is the best way to accomplish the goals of the proposal.

V. Conclusion

DOER has constructed a thoughtful proposal that will reduce market uncertainty both for retail electric suppliers and solar developers. This will in turn benefit consumers, and help

¹ This analysis makes the following assumptions: (1) SREC values trade at 85% of the SACP schedule. (2) Cost/kW are \$5.71/W, annually decreasing by 3.2% in accordance with "Tracking the Sun III." (3) The 400MW of solar installations goal is reached in 2020. (4) Year 2020 installations are granted a 5 year opt-in term under section 225 CMR 14.05(j). (5) All qualified solar installations generate RPS Class I RECs, valued at ~\$50, after 2025 in accordance with section 225 CMR 14.05(j). (6) Federal tax benefits (Investment Tax Credit and Bonus Depreciation) expire as currently scheduled.



Constellation Energy®

Massachusetts meet its solar goals. Constellation supports the proposal as drafted, and urges DOER to adopt it as soon as possible.

Thank you for your time and attention to this matter. Please do not hesitate to contact us if we can provide any additional information.

Best regards,

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